4.12 SECONDARY ECONOMIC EFFECTS

This section analyzes secondary physical impacts, as well as the net fiscal impacts on the City, that may result from the potential market effects of the project. A potential exists for socioeconomic effects as a result of implementation of the Burbank Empire Center, particularly on existing retailing centers in the City (i.e., downtown, the City Center Mall, and the Media Center). Under Section 15358(b) of the CEQA Guidelines, potential socioeconomic effects need to be addressed in an EIR if such effects may result in a substantial physical change. Study of economic changes or market impacts to individual business owners is not normally required in an EIR; however, if there is reasonable evidence that there could be a physical change, such as deterioration of existing structures and infrastructure resulting from disinvestment or some other economic or social change connected to a proposed project, these issues should be considered in the EIR. If such analysis is included, a market study should determine the possible shift in market support from existing businesses to the new project (Burbank Empire Center businesses). In addition, the analysis should study whether or not there is a simple shift of sales from one locale to another that may not add to the sales tax revenues that would accrue to the City.

As a result of review of the facts and concerns addressed above and also raised at the scoping meeting, Stanley R. Hoffman Associates was engaged by the City of Burbank to address the economic impact questions relating to the proposed development. The following analysis is based upon a report (July 6, 1998), an addendum report (June 16, 1999) and Addendum Report 2 - Option D1-C (December, 1999), prepared by Stanley R. Hoffman Associates, included in Appendix N. The reports are based upon information from several sources, including a field survey of major retail developments within the competitive market area; interviews with mall operators and others knowledgeable about the market area; economic and demographic data from the U.S. Bureau of the Census and the California State Board of Equalization (BOE); special tabulations of BOE; business location data from the City of Burbank, the California Department of Finance, the Southern California Association of Governments, the U.S. Bureau of Labor Statistics and others; mathematical models of consumer retail behavior developed by the consultants; and published literature regarding retail activity, including the Urban Land Institute's *1995 Dollars and Cents of Shopping Centers* and *1995 Dollars and Cents of Power Centers.*

4.12.1 EXISTING ENVIRONMENTAL SETTING

Food Stores

Burbank currently has eight major food stores:

- Hughes Markets Inc., 1028 S San Fernando Boulevard
- Hughes Markets Inc., 1100 N San Fernando Boulevard
- Lucky Stores, 3830 W. Verdugo Avenue
- Pavilions, 1110 Alameda Avenue
- Ralphs Grocery, 2500 W Victory
- Vons, 1011 N San Fernando Boulevard
- Vons, 1820 W Verdugo Avenue

- Vons, 301 Pass Avenue

Many of these stores are old and smaller than the store sizes currently being developed. Ralphs has plans to build two new 50,000 square foot, state-of-the-art supermarkets to replace existing stores: one will be at the southwest corner of Victory Boulevard and Buena Vista Street and will replace the existing nearby Ralphs, and the other will be at the northwest corner of Alameda Avenue and San Fernando Boulevard across from the existing Hughes Market (which is owned by Ralphs). The competitive market area for food stores, including supermarkets, is two miles, as shown in Figure 4.12.1.

As is typical in most food store markets, there are several small independent food stores in the area, along with several convenience stores with limited food offerings.

Comparison Shopping Goods

Burbank City Center

The major concentration of comparison goods retailing in Burbank is at the Media City Center Mall. There are three department stores in the enclosed part of the mall: Macy's, Sears, and Mervyn's. Sport Chalet serves as a fourth anchor tenant in the enclosed mall.

Located in the area adjacent to the enclosed mall are four large complexes that include several other major anchors. IKEA furniture store, Circuit City, Office Depot, and Virgin Records Megastore, as well as CompUSA and Barnes & Noble bookstore, are located in this area. AMC Theaters has a 6 screen movie theater in this area, another 8 screens in the enclosed mall, and another 14 screens on Palm Avenue. Several restaurants in the Media City Center are located both inside and outside the enclosed mall.

Media City Center management reports that vacancies are eight to nine percent over the entire Center, including the enclosed mall and freestanding buildings. All of the anchor spaces are occupied, and the shop space vacancies are concentrated in the enclosed mall. The area adjacent to the enclosed mall is virtually at 100 percent occupancy. Within the enclosed mall, a substantial amount of shop space is available, which management estimates at about 30 percent of total mall shop space. A walking survey confirmed substantial vacant shop space. A substantial amount of this available shop space is on the first level in areas with limited street level access and, therefore, somewhat limited foot traffic.

The Media City Center mall vacancy rate is substantially higher than the average 5.4 percent reported by the Glendale Galleria and Eagle Rock Plaza. Appendix N contains more information on retail vacancies in the market area. The City Center area accounts for slightly over 24 percent of total taxable retail sales in the City. For Home Furnishings and Appliances, the area accounts for somewhat more of the total at

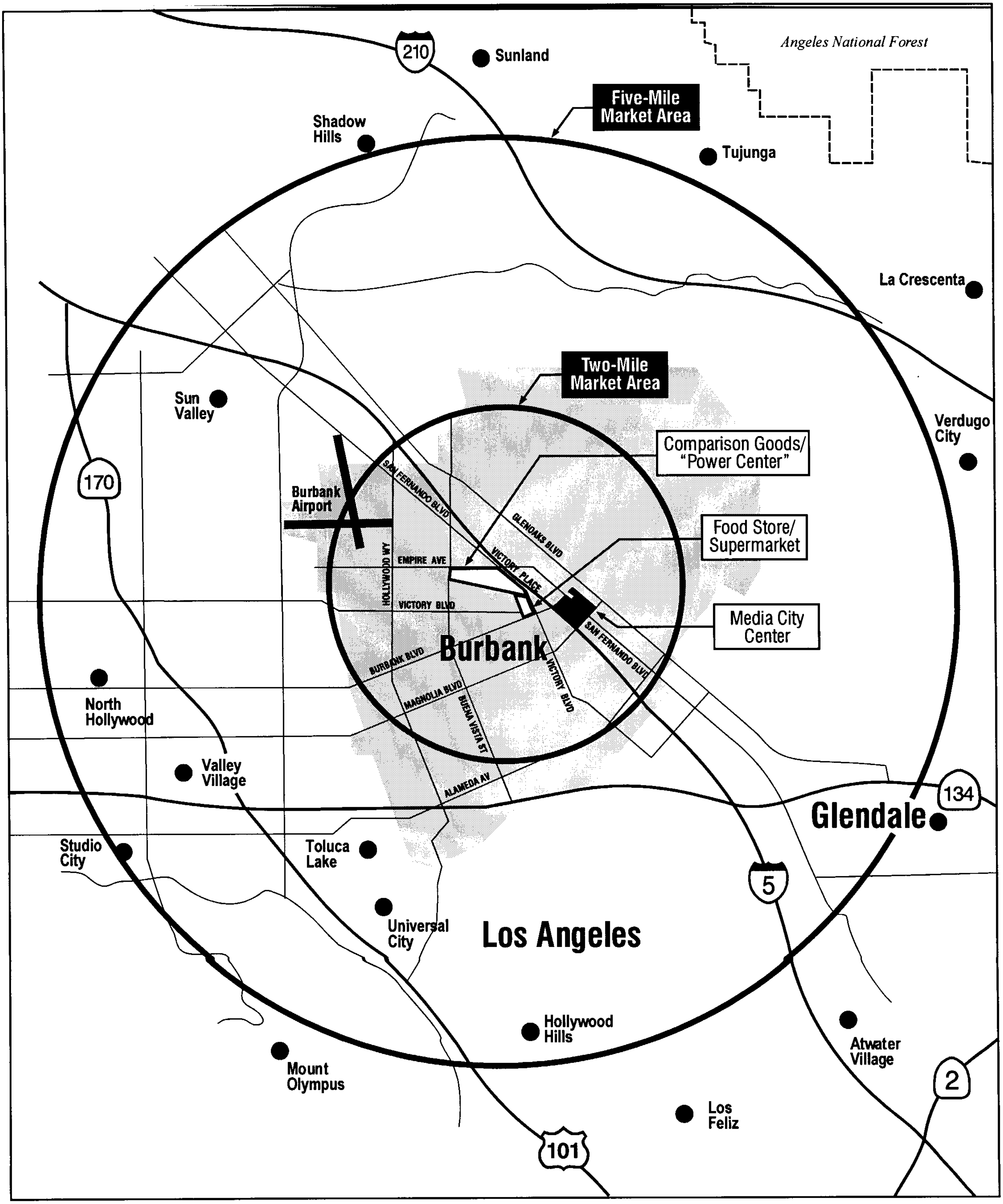

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Figure 4.12.1

N

LSA

Scale in Miles
0 0.75 1.5

Competitive Market Areas

slightly over 29 percent. However, for General Merchandise and Apparel, the City Center area accounts for 51 percent and approximately 70 percent respectively.

Because of the role General Merchandise stores play as anchor tenants in the City Center, this sector is of particular importance. In the City Center area, General Merchandise includes the three department stores at the Media City Center, as well as the Kmart. In total, General Merchandise accounted for $83,110,000 in taxable sales in 1997 in the City Center area.

The total floor area of General Merchandise stores in the area is approximately 505,000 square feet, yielding average annual sales of approximately $165 per square foot. According to the Urban Land Institute, the average performance of department stores in Regional shopping centers in 1995 in the West was $165 per square foot. The comparable figure for Super Regional shopping centers (which is the category into which the Media City Center falls) was $147 per square foot. The competitive market area for comparison goods/?power centers"/malls is approximately five miles, shown in Figure 4.12.1.

Retail Sales Trends in Burbank

Table 4.12.A shows taxable retail sales in Burbank from 1990 through 1996. Over this period, Apparel, Home Furnishings and Appliances, and Other Retail all saw substantial sales growth. (Other Retail includes Office Supply, Book Stores, Jewelry, Sporting Goods, Photo stores, and other specialty retailing, as well as boats, motorcycles, planes, trailers, and campers.) The effect of the development of the Media City Mall in the early 1990s can be seen in the data.

Both Building Materials and Auto Dealers and Supplies experienced a significant decline, while most other retail sectors, including General Merchandise, were relatively flat. The sales data reported in this table are in *current* or *nominal* dollars; that is, the data have not been adjusted for inflation. The data cover sales that are subject to sales tax. Some items, such as most food for home consumption and prescription medications, are exempt from sales tax in California.

Per capita figures show very strong growth in Apparel, Home Furnishings and Appliances, and Other Retail sales. Real per capita sales of Apparel increased by over 340 percent from 1990 through 1996. Home Furnishings and Appliances real per capita sales increased by about 118 percent, and Other Retail increased by 25 percent over the same time period. These figures indicate that Burbank increased its market share in these sectors over the recent past. These three sectors include many of the major tenants in the City Center area.

The three sectors that showed the largest decline in real per capita sales were Building Materials (which declined by 42 percent), Auto Dealers and Auto Supplies (down 38 percent), and General Merchandise Stores (down 25 percent). The declines in Building Materials and Auto Dealers are noteworthy because, as will be seen in the next section, these sectors might offer some market opportunities for the City. The loss in

Table 4.12.A - Taxable Sales by Type of Business
City of Burbank, 1990-96
(in $000)

	1990	1991	1992	1993	1994	1995	1996
Apparel stores	16,878	20,149	41,410	65,236	97,070	90,800	93,461
General merchandise stores	147,384	148,253	158,030	144,805	163,868	144,197	138,011
Drug stores	22,051	23,920	26,679	25,188	26,044	24,509	26,281
Food stores	60,606	66,607	75,503	61,397	61,757	62,504	63,712
Packaged liquor stores	4,823	4,613	4,599	4,982	5,138	5,163	5,169
Eating and drinking places	117,312	122,787	113,478	116,676	124,223	135,350	147,849
Home furnish. and appliances	39,027	85,820	88,058	84,856	104,200	105,117	106,630
Bldg. Matrl. and farm implmts.	62,561	51,658	45,441	43,389	45,501	51,075	45,177
Auto dealers and auto supplies	51,025	38,370	32,764	32,106	35,125	38,129	39,457
Service stations	62,786	59,103	71,502	67,375	73,897	70,436	73,570
Other retail stores	117,276	108,052	130,088	132,911	136,836	149,587	183,987
Retail stores total	701,730	729,332	787,552	778,921	873,659	876,867	923,304

Source: State Board of Equalization, *Taxable Sales in California*, various years.

General Merchandise stores is significant because this sector includes four major downtown anchor tenants, the three anchor department stores at Media City Mall and the Kmart.

Leakage Analysis

The Stanley R. Hoffman Associates report included a market leakage analysis to determine the relative strength of the City's retail market for each retail category. The purpose of a retail leakage analysis is to determine for each major retail category whether the area is "leaking" sales to or "capturing" sales from other areas. The analysis compares actual retail sales per capita in Burbank with expected retail sales per capita based on data from a "benchmark" area. Los Angeles County and the State of California were both used as benchmarks in the present analysis. Expected per capita retail sales were based on per capita sales in the benchmark area corrected for differences in demographic characteristics, specifically household income and household size.

The results show that Burbank has a strong retail base, capturing substantial retail purchases from outside the City in General Merchandise, Apparel, Furniture and Appliances, Specialty Retailing ("Other"), and Eating and Drinking. The City shows a major retail leakage in only one category: Automobile sales. The City either is break-even or shows a small leakage in Building Materials (depending on whether the State as a whole or Los Angeles County is used as the benchmark).

Proposed Project

Development Options A, D1-A, D1-B, and D1-C are considered in the impact analysis below. Within these development options there is a mix of uses, with the commercial center focused around two major retail tenants. For the analysis in this EIR, it is specified that there will be a limit on general merchandise retail/big box retail land uses on site to the following: 250,000 square feet, for up to two general merchandise sales "big box" uses (general retail - large format value retailers, e.g., department stores), as indicated in initial site plans submitted with the PD zone change application; and that movie theaters shall not be permitted as part of the project, as reflected in the PD application.

4.12.2 THRESHOLDS OF SIGNIFICANCE CRITERIA

The economic effects of the project are analyzed as to whether they will result in a significant adverse impact on the physical environment. For the purpose of this analysis, the potential environmental effects of the economic changes resulting from the project are considered significant if the proposed project:

C Induces a significant shift in retail sales from businesses located in any portion of the City to the project site to the extent that substantial portions of an affected area may become blighted due to substantial relocation, disinvestment in, or abandonment of buildings currently housing retail businesses due to insufficient retail sales per square foot.

4.12.3 IMPACTS - DEVELOPMENT OPTION A

Less than Significant Impacts

Food Store Analysis

In light of its key role, the analysis of the impacts of the neighborhood shopping center component of the proposed project focused on the food store. For purposes of the analysis, it was assumed that a 50,000 square foot food store would be one of the project anchors.

The results of the analyses show that citywide food store sales per square foot would decline from $439 to $376 in 2010 as the result of the addition of new space (these are in constant 1990 dollars). Sales at either of these levels would reflect reasonable market performance for food stores, especially since these sales figures include only the purchases of residents from the primary market and do not include daytime purchases of people who work in Burbank.

The analysis in Appendix N shows the combined results for the nearby food stores declining from $542 per square foot to $443 per square foot from the 2010 "Without Project" scenario to the 2010 "With Project" scenario. While this is a significant difference, both figures again reflect strong market performance. The project food store itself would be expected to do $411 per square foot from purchases by residents of the primary market area. Therefore, there is no reasonable expectation that any existing food store would have its retail sales reduced to an unexpectedly low level that might cause disinvestment or abandonment of a current site.

Restaurant and Retail Demand from the Office Component

Office employees at the project site would generate retail demand, both for restaurants and for other kinds of retail. Table 4.12.B presents an estimate of this demand. The table shows that a typical office worker would be expected to spend an average of $1,257 annually on lunches during the work day and on dinner and/or drinks after dinner. At a typical average sales per square foot for restaurants of $200, that annual expenditure would translate into 6.28 square feet supportable per office worker.

Table 4.12.B - Retail Demand Generated by Project Office Workers

	Per Worker		
	Annual	**Supportable**	**Supportable**
Eating and Drinking Establishments	**$1,257**	**6.26**	**18,993**
Lunches	$1,105	5.52	
Dinner/Drinks	$152	0.76	
Work Day Retail	**$1,298**	**6.49**	**19,619**
Comparison Goods	$1,036	5.18	15,653
Apparel & accessories	$552	2.76	
Other Shoppers goods	$483	2.42	
Convenience Goods	$262	1.31	3,966
Incidentals	$124	0.62	
Food Stuffs	$97	0.48	
Other	$41	0.21	
After Work Retail	**$283**	**1.42**	**4,279**
Food & Groceries	$170	0.85	
Other	$113	0.57	
Total	**$2,838**	**14.19**	**42,891**

Source: Spending per worker estimates derived from International Council of Shopping Centers, *Office Worker Retail Spending*, 1988.
A total of 3,022 office workers was assumed.

The typical suburban office worker in an area with ample retail opportunities would be expected to spend an average of $1,298 annually on various retail merchandise during the work day. These expenditures would be largely for apparel items and other comparison goods. Again at $200 per square foot, these expenditures would translate into 6.49 square feet of supportable retail space per office worker. In addition, office workers would also make retail purchases after work, the largest single component of which is for groceries.

Assuming 3,022 office workers at the project site, the added demand for retail space would be approximately 19,000 square feet of restaurant space, about 20,000 square feet of retail space to respond to workday shopping (primarily apparel and other comparison goods) and some additional space, mainly grocery stores, to respond to the after work shopping demands of office workers.

Restaurant and Retail Demand from the Hotel Component

Overnight guests at the project hotel would also generate restaurant and other retail demand. While spending patterns for hotel and motel guests vary depending upon the characteristics of the traveler and the purpose of the trip (work trip vs. vacation trip), the estimates are based upon Los Angeles County averages for hotel and motel guests.

The data refer to a "room night," which is one occupied room for one night. The analysis shows that each room night would be expected to generate $63 in spending for meals and $61 spent for shopping (excluding convenience items and groceries). Again assuming typical sales of $200 per square foot, these expenditures translate into 0.32 square feet of restaurant space per room night and 0.31 square feet of retail space per room night.

Assuming 350 rooms in the hotel and an average occupancy rate of 72 percent, these expected expenditures translate into approximately 29,000 square feet of restaurant space and about 28,000 square feet of retail space. Some small additional demand would be generated by hotel guests for convenience/grocery store space.

Comparison Goods

Comparison goods, including apparel, home furnishings, and general merchandise, are the heart of Burbank City Center retail. The key anchors for the enclosed Media City Center mall are the three General Merchandise stores: Macy's, Sears, and Mervyn's. The nearby Kmart also brings shoppers downtown.

The General Merchandise stores are important not only for the sales that they directly make but also for the positive impact they have on other nearby retailers. The anchor tenants bring shoppers into the area and generate foot traffic that results in sales at other stores and shops.

Because of their importance, the General Merchandise stores were the focus of the comparison goods analysis. Table 4.12.C shows the results of the analysis of the impacts on General Merchandise that would be expected from competitive development at the proposed project. The analysis used a mathematical model of retail behavior that is described in Appendix N.

Table 4.12.C - Estimated General Merchandise Sales Under Various Competitive Assumptions - Burbank Extended Market Area

	Sales	Sq. Ft.	Sales/Sq. Ft.	Market Share
1994				
City Center	$73,507,000	505,000	146	27.1%
Project Site	$0	0	0	0.0%
2010 Base Case				
City Center	$82,642,000	505,000	164	27.1%
Project Site	$0	0	0	0.0%
2010 Scenario 1				
City Center	$70,403,000	505,000	139	23.1%
Project Site	$23,785,000	125,000	190	7.8%

	Sales	Sq. Ft.	Sales/Sq. Ft.	Market Share
2010 Scenario 2				
City Center	$62,666,000	505,000	124	20.5%
Project Site	$40,206,000	250,000	161	13.2%

The table presents results for the years 1994 and 2010. Three results are presented for the year 2010:

- A Base Case, which assumes the same General Merchandise stores in City Center and no project.
- Scenario 1, which assumes the same General Merchandise stores in City Center and a 125,000 square foot General Merchandise store at the proposed project site.
- Scenario 2, which assumes the same General Merchandise stores in City Center and 250,000 of General Merchandise floor space at the proposed project site.

The results show that, in the absence of major new competition, General Merchandise sales in the City Center area can be expected to grow by over 12 percent in constant dollars (from $73.5 million to $82.6 million). Sales per square foot increase by $18.

With the addition of 125,000 square feet of directly competitive space at the proposed project (Scenario 1), General Merchandise sales are projected to decline by slightly over four percent in constant dollars (from $73.5 million to $70.4 million). Sales per square foot at the City Center General Merchandise stores decrease by $7. Sales at the proposed project are projected at $23.8 million.

With the addition of 250,000 square feet of directly competitive space at the proposed project (Scenario 2), General Merchandise sales are projected to decline by close to 15 percent in constant dollars (from $73.5 million to $62.7 million). Sales per square foot at the City Center General Merchandise stores decrease by $22. Sales at the proposed project are projected at $40.2 million.

The model results indicate that the more directly competitive retail space that is added, the more sales will be shifted from City Center General Merchandise stores to the proposed project.

As was seen earlier, some of the sales that would accrue to the proposed project would likely be made elsewhere in Burbank in the absence of the project. That is, some part of the sales at the proposed project represents shifts from other stores in Burbank.

The amount of such shifts depends upon many events and conditions that are difficult to accurately forecast. One of the key sets of assumptions is who would be the retail tenants in the proposed project. If the new tenants are directly competitive with existing stores elsewhere in Burbank, the sales shift would be greater than if the new tenants competed primarily with stores outside of Burbank. For example, since Burbank currently has only one auto dealer and shows large retail sales leakage in autos, the addition of auto dealers would not likely shift significant sales away from other retailers in the City. On the other hand, the addition of General Merchandise retailing at the proposed project would be expected to shift some sales from existing stores in Burbank.

Another key assumption is what would happen in the marketplace in the absence of the proposed project. If the proposed project is not developed, it is possible that other retail projects might be developed elsewhere in the market area. For purposes of the analysis, the simplifying assumption was made that the retail supply would remain unchanged in the absence of the proposed project.

Overall, the population in the market area is growing at about 0.75 percent per year. At this rate, the population base will increase by about 10 percent between now and 2010. These numbers suggest that an addition of 143,000 square feet in the floor space of major comparison good tenants over the next decade would be supportable without net shifts of sales from other retailers. If real incomes (that is, incomes in inflation adjusted dollars) increase, real retail expenditures would also be expected to increase, and some further additional comparison goods retail space would also be supportable without net sales shifts from other retailers. If it is assumed that comparison goods spending increases by 10 percent as a result of real income increases, an additional 140,000 square feet, or 280,000 square feet total of floor space, for comparison goods retailers would be supportable without significant sales shifts. Anything beyond that would mean that sales would be shifted from existing stores. It is speculative to assume that these shifts would be from Burbank stores or from stores located in other communities.

General Merchandise

The analysis reported in Table 4.12.C found that General Merchandise sales in Burbank would be expected to be about $82.6 million in the year 2010 without the addition of any General Merchandise floor space. With the addition of 125,000 square feet of floor space in General Merchandise at the proposed project, the analysis found that existing store sales would be expected to be $70.4 million and the space at the proposed project would be expected to account for about $23.8 million in sales. Only part of this represents net new sales. Since total General Merchandise sales in all stores were projected at $94.2 million, the net addition to retail sales would be $11.6 million ($94.2 million - $82.6 million). Under these assumptions, about 49 percent of the General Merchandise sales at the proposed project represented net new sales to the City.

Under the assumption that 250,000 square feet of General Merchandise space are added at the proposed project, the analysis found that existing General Merchandise store sales would be $62.7 million and new General Merchandise store sales would be $40.2 million. Thus, the new stores would add net sales of $20.3 million ($102.9 million - $82.6 million). This represents slightly over 50 percent of the new store sales.

Apparel

The City is currently very strong in apparel sales, with a substantial amount of retail space, strong sales growth since the early 1990s, and a large capture of retail sales from outside the City. The addition of apparel retailing would likely shift significant sales from existing stores.

Home Furnishings and Appliances

The City is also strong in this category. Sales growth has been strong since the early 1990s, and the City has a very large net sales capture from elsewhere.

Building Materials

The City has lost ground in this category since 1990. The leakage analysis showed the City currently is roughly in a "break-even" condition (or perhaps has a slight leakage, depending on whether it is compared to Los Angeles County or to the State taxable sales profile). The City does have one major home improvement retailer within a relatively short distance of the proposed project, OSH, as well as several smaller hardware and building materials suppliers that would feel some impact from a new major home improvement store. Even though the OSH would feel some impact, it is reasonable to expect that the overall net impact of a new home improvement store on sales tax revenues would be positive.

Other Retail/Specialty Retailing

This category includes Office Supply, Book Stores, Jewelry, Sporting Goods, Photo stores, and other specialty retailing, as well as boats, motorcycles, planes, trailers, and campers. This category grew significantly in the 1990s, in large part due to the growth of retail at the Media City Center. The City also has a very large net sales capture from elsewhere in this category. Table 4.12.D shows that Burbank has a strong concentration of retail space in many of the store types that are included in this category: Video/Music/Electronics, Discount Computers, Discount Toy, Discount Office Supplies, Discount Books, and Discount Pet Supplies.

Movie Theaters/Entertainment

The 14 movie screens located in the City Center area provide a significant and essential role in drawing consumers to the downtown area. Construction of a new movie theater complex at the Burbank Empire Center would compete directly with the existing theaters and, therefore, would reduce the number of customers visiting the City Center area. This would have a negative impact on the existing retail businesses in close proximity to the theater.

Table 4.12.D - Summary of Retail Space by Geographic Area
Burbank Extended Market Area

Store Type	Burbank & Surrounding Area	No. Hollywood & Surrounding Area	Glendale & Surrounding Area	Total	Burbank as Percent of Total
Department Stores	416,000	460,890	1,300,318	2,177,208	19.1%
Discount General Merchandise	89,000	268,557	285,000	642,557	13.9%
Furniture	241,951	72,565	163,249	477,765	50.6%
Home Improvement/Hardware	116,150	189,240	134,520	439,910	26.4%
Video/Music/Electronics	102,313	32,052	112,647	247,012	41.4%
Discount Computer	151,241	0	0	151,241	100.0%
Auto Supply	45,325	53,605	50,616	149,546	30.3%
Secondary General Merchandise	15,400	60,150	54,400	129,950	11.9%
Secondary Apparel	40,189	6,864	72,600	119,653	33.6%
Discount Toy	47,874	4,620	54,150	106,644	44.9%
Discount Office Supplies	47,700	0	42,400	90,100	52.9%
Discount Book	39,416	0	47,700	87,116	45.2%
Discount Sports	59,957	0	26,200	86,157	69.6%
Linen/Housewares	0	4,900	78,792	83,692	0.0%
Discount Fabrics	0	11,120	19,000	30,120	0.0%
Discount Party Goods	7,000	0	21,985	28,085	24.9%
Discount Pet Supplies	14,275	0	2,400	16,675	85.6%
TOTAL	**1,433,791**	**1,164,563**	**2,465,077**	**5,063,431**	**28.3%**

Source: Udewitz Associates, Field Survey, June 1998
Stanley R. Hoffman Associates, Inc.

Net Sales Shift Estimate

The analysis above shows that, with the exception of Auto Dealers and Building Materials, Burbank currently has a substantial share of comparison goods retailing. New retail entries beyond what would be supported by population, income, and employment growth within the market area implies a shift of sales from current retailers.
Such shifts have been common over the history of retailing in the United States. The 1950s and 1960s saw a shift from freestanding downtown retailers to major shopping centers. The 1980s and 1990s have seen a shift from full-line department stores and conventional shopping malls to "value retailing" of various kinds: "Big Box" and "Off-Price" retailers, "Category Killers," Warehouse Clubs, and Factory Outlet stores.

Development at the Media City Center reflects these changes in retail. The enclosed mall is anchored by three conventional department stores, and the in-line shops are typical of those found in most Super Regional malls. The fourth anchor, a large value oriented sporting goods store, is less typical. The development adjacent to the enclosed mall is more like that of contemporary "power centers" with IKEA, Office Depot, CompUSA, Circuit City, Barnes & Noble, and Virgin Megastore.

While the amount of sales shift from existing retail locations to the proposed project depends on the specific tenant mix at the proposed project, as well as on a number of other factors in the marketplace, the above analysis does lead to the that such shifts would be substantial. For General Merchandise, the analysis found that the shifts would be about 50 percent. This amount would be greater if movie theaters or other entertainment uses were proposed as part of the project. For Apparel, Home Furnishings & Appliances, and Other Retail/Specialty Retail, the shifts would also be relatively large. For Building Materials, the expected shifts would be far smaller, and for Auto Dealers there would be little or no shift away from existing retail. In light of this analysis, a net sales shift of from 40 to 50 percent would seem a reasonable estimate. In other words, from 50 to 60 percent would represent net new sales.

Average sales per square foot for Power Centers in the West in 1994 were $234 (ULI, *Dollars & Cents of Power Centers: 1995)*. After adjusting for inflation, this would be roughly $250 per square foot in 1997 dollars. A reasonable midrange estimate would put the figure in the $225 to $275 per square foot range.

The proposed project contains 632,500 square feet of retail space. This yields total sales in the range of $142.3 million to $173.9 million. This would yield a net sales estimate (i.e., net of shifts from existing retail) of $71.2 million to $104.3 million. The estimated annual net sales tax contribution to the City (equal to one percent of total taxable sales) from the power center at the proposed project would be in the range of $712,000 (50 percent of $142.3 million) to $1,043,000 (60 percent of $173.9 million).

Conclusion

It is not currently possible to know which specific tenants might locate at the proposed project and whether they would be new in the market area or would relocate from elsewhere. The entitlements requested by the proposed project could accommodate five or more large format value retailers. However, this is unlikely due to other retail competition in the area, other existing value retailers in the downtown area, and market trends that tend to avoid concentration of five similar retailers in one location. In addition, the merchandise lines and mix, as well as competitive strength, vary significantly among retailers, further compounding the uncertainty of projecting what the potential mix of retail tenants will be at the project site. Therefore, the analytical results presented here provide only a general indication of the likely magnitude of impacts. The market analysis indicates that the more directly competitive retail space that is added, the more sales will be shifted from Media City Center General Merchandise stores to the proposed project. Should a reasonable worst case scenario (three or more of the "big box"/general retail large format value retailers totaling more than 250,000 to 300,000 square feet or greater), the entitlements requested would shift substantial retail sales from the downtown area to the proposed site. This shift in sales would affect all businesses in the downtown area, primarily retail, but also including walk-up sales for specialty shops, apparel, general merchandise, and restaurants. It is probable that the Kmart store would be marginalized and eventually a decision would be made to vacate the existing store, making the store site available for reuse. Other downtown retail uses would be affected by smaller per square foot sales, but not to such an extent that per square foot sales would be below expected regional sales levels. The addition of movie theaters and other entertainment type uses would also significantly impact downtown retailers.

It is the conclusion of this analysis that, although there would be a substantial decrease in general merchandise sales in the downtown as a result of the proposed project, the decrease will not lead to a significant disinvestment in downtown businesses should the general merchandise retail/big box retail competition be limited to under 250,000 square feet, as depicted in the proposed site plans for Development Option A. Another caveat is that there would be no movie theater or entertainment uses at the proposed project. Some businesses that currently have marginal sales per square foot may be affected to the point of closure. However, this would be limited to the Kmart already mentioned and other unknown businesses at a limited scale. To project what effects that a larger scale value retail center at the Burbank Empire Center site would have on downtown businesses and potential vacancy rates in the downtown would be speculative. However, it is clear from the analysis above that the proposed project could have the following potential effects, depending on the tenant mix:

- The retail component of the proposed project is strengthened with the current mix of office and hotel uses within the project. Reducing the office or hotel components of the project will reduce the market support for the retail and restaurant uses on the site.

- The addition of movie theater or other entertainment uses at the project would have a negative impact on the Media City Center by drawing customers from the existing mall to the proposed project.

- The amount of retail space proposed for the project cannot be supported without the proposed office and hotel uses.

- Auto sales locating into the City at the project site will increase Burbank's regional market share for auto sales and will increase sales tax revenues to the City without substantially affecting the current market share for existing auto sales in Burbank.

- C The larger the general comparative retail sales and value retail sales components of the project, the larger the economic effect on similar downtown businesses. Should the square footage of these uses increase beyond two major value retail sales (general merchandise sales, including “big box” retailers by 125,000 to 150,000 square feet each) more than 250,000 to 275,000 square feet of general merchandise sales, similar downtown businesses will experience a corresponding decrease in sales per square foot.

- C Physical effects of decreased sales in the downtown area as a result of increased completion from the proposed project are dependant on the scale and scope of the retail mix of the proposed project. However, projected sales per square foot in downtown retail businesses are projected to be within expected sales revenues for these type of retail business, assuming approval of 250,000 to 275,000 square feet of general merchandise sales at the project site. Because resultant sales per square foot in the downtown are projected to be within regional norms with the project, it is not expected that there would be significant business closures or significant disinvestment in area retail businesses.

- C There is a potential for disinvestment to occur in downtown general retail businesses, retail store closures to occur, and possible physical deterioration of the downtown to occur if the retail mix at the proposed project site contains five major value/big box retail sales users and/or major comparative shopping retail sales users. The physical effect of such disinvestment is speculative given that it is not known what mix of retail sales is projected to occur on the project site. As a result, it is speculative as to which uses may be displaced and which uses might replace businesses that close or relocate from the downtown area.

For the reasons stated above, secondary fiscal effects of Development Option A are not considered significant.

Significant Impacts

Development Option A will not result in any significant secondary economic effects.

4.12.4 MITIGATION MEASURES - DEVELOPMENT OPTION A

Mitigation measures are not warranted for implementation of Development Option A.

4.12.5 CUMULATIVE IMPACTS - DEVELOPMENT OPTION A

The above analysis represents the cumulative condition in that it includes all existing and planned retail sales uses in the respective market areas, as shown in Figure 4.12.1.

4.12.6 LEVEL OF SIGNIFICANCE AFTER MITIGATION - DEVELOPMENT OPTION A

No significant impacts related to secondary economic effects occur with implementation of Development Option A.

4.12.7 IMPACTS - DEVELOPMENT OPTION D1-A

Less than Significant Impacts

Implementation of Development Option D1-A would not result in less than significant impacts.

Development Option D1-A, at 598,319 square feet of regional center retail (including restaurants and fast food space) have about 25 percent less regional retail space planned than under Option A (662,236 regional square feet and 130,700 restaurants/fast food square feet shown separately).

The 25 percent reduction in square footage under Option D1-A represents less diversion of retail sales from the downtown area to the Burbank Empire Center by about $24 million. This is based on an estimated average annual sales per square foot of $250 for the proposed Burbank Empire Center and an estimated 50 percent capture by the downtown Media Center regional retail. This is equivalent to about nine percent of the 1997 estimated retail sales of $262.3 million in the City Center area.

Neighborhood Retail

Neighborhood retail is proposed only in Development Option A. Overall, the projected growth in population and employment would likely be sufficient to support the addition of a neighborhood shopping center without creating economic impacts that would generate significant negative physical impacts.

Automobile Sales

In Option D1-A an auto sales center would replace the neighborhood retail component in Option A. The auto sales center has a projected floor area of 255,000 square feet. Commonly, new car dealerships require a site area of about four acres. Based on average gross area per dealership of about four acres, this would accommodate about seven auto dealers. The Retail Market Impacts report (1998) found that the only major retail sector in which Burbank was notably weak was automobile sales. The retail leakage analysis reported in that study found a major leakage of retail auto sales outside the City. Since the City currently has only a small presence in auto sales, the addition of an auto center would not be expected to have any significant negative economic impacts on the City.

Restaurant and Retail Demand From Project Employees

Restaurant and retail demand from project employees for Option D1-A is estimated to have 3,460 employment due to 600,000 square feet of proposed office development.

In addition to the retail demand generated by the market area households, office, studio, hotel, retail and other employment at the proposed Burbank Empire Center will generate additional demand for retail and restaurant space. Based on average annual retail and restaurant employee purchases, an additional demand of about 64,750 square feet is generated under Option A with relatively less under Option D1-A at about 49,100 square feet.

Restaurant and Retail Demand from Hotel Visitors

Similar to Development Option A, Development Option D1-A proposes that 350 hotel rooms be added. Based on the average retail and food service purchases by hotel guests in the Los Angeles area, the additional demand generated is about 57,000 square feet of space divided approximately evenly between retail and restaurant space.

Net Fiscal Impact

Development Option D1-A, similar to Development Option A, generates substantial net fiscal benefits in terms of sales taxes to the City; however, due to the proposed auto sales component, Option D1-A is generates a larger amount in terms of sales tax generation at about $3.5 million.

Conclusion

As described above, Development Option D1-A would have an adverse market effect on the downtown area; however, the impact would not be as substantial as with Development Option A, provided that "big box" retail uses are limited to 250,000 to 275,000 square feet for up to two facilities and that there are no movie theaters included in the permitted project, consistent with the proposed Development Option D1-A. Secondary fiscal effects of Development Option D1-A are not considered significant. Physical impacts from competitive development close to the downtown cannot be proved. Therefore, the secondary market impacts, even if adverse, are not considered significant because they do not lead to physical changes to the environment that would reasonably be argued to be significant.

Significant Impacts

Development Option D1-A will not result in any significant secondary economic effects.

4.12.8 MITIGATION MEASURES - DEVELOPMENT OPTION D1-A

Mitigation measures are not warranted for implementation of Development Option D1-A.

4.12.9 CUMULATIVE IMPACTS - DEVELOPMENT OPTION D1-A

Similar to Development Option A, the above analysis for Development Option D1-A represents the cumulative condition in that it includes all existing and planned retail sales uses in the respective market areas, as shown in Figure 4.12.1.

4.12.10 LEVEL OF SIGNIFICANCE AFTER MITIGATION - DEVELOPMENT OPTION D1-A

No significant impacts related to secondary economic effects are expected.

4.12.11 IMPACTS - DEVELOPMENT OPTION D1-B

Less than Significant Impacts

Development Option D1-B, at 598,319 square feet of regional center retail (including restaurants and fast food space), has about 25 percent less regional retail space planned than under Option A (662,236 regional square feet and 130,700 restaurants/fast food square feet shown separately).

The 25 percent reduction in square footage under Option D1- B represents less diversion of retail sales from the downtown area to the Burbank Empire Center by about $24 million. This is based on an estimated average annual sales per square foot of $250 for the proposed Burbank Empire Center and an estimated 50 percent capture by the downtown Media Center regional retail. This is equivalent to about nine percent of the 1997 estimated retail sales of $262.3 million in the City Center area.

Neighborhood Retail

Neighborhood retail is only proposed in Development Option A. Overall, the projected growth in population and employment would likely be sufficient to support the addition of a neighborhood shopping center without creating economic impacts that would generate significant negative physical impacts.

Automobile Sales

Similar to Option D1-A, Option D1-B also has a projected floor area of 255,000 square feet for development of an auto sales center on a total of slightly over 29 acres that would replace the neighborhood retail component. Since the City currently has only a small presence in auto sales, the addition of an auto center would not be expected to have any significant negative economic impacts on the City.

Restaurant and Retail Demand from Project Employees

Restaurant and retail demand from project employees for Option D1-B is estimated to generate the least employment of the three development options at 2,220 new jobs with only 110,000 square feet of proposed office space. In addition, 300,560 square feet of studio production space is proposed, and this is estimated to generate about 160 employees compared to about 860 employees for a comparable amount of office space.

In addition to the retail demand generated by the market area households, office, studio, hotel, retail and other employment at the proposed Burbank Empire Center will generate additional demand for retail and restaurant space. Based on average annual retail and restaurant employee purchases, an additional demand of about 64,750 square feet is generated under Option A with relatively less under Option D1-B at about 31,500 square feet.

Restaurant and Retail Demand from Hotel Visitors

Similar to Development Option A, Development Option D1-B proposes that 350 hotel rooms be added. Based on the average retail and food service purchases by hotel guests in the Los Angeles area, the additional demand generated is about 57,000 square feet of space divided approximately evenly between retail and restaurant space.

Net Fiscal Impact

Development Option D1-B, similar to Development Option A, generates substantial net fiscal benefits in terms of sales taxes to the City; however, due to the proposed auto sales component, Option D1-B is generates a larger amount in terms of sales tax generation at about $3.5 million.

Conclusion

As described above, Development Option D1-B would have an adverse market effect on the downtown area; however, the impact would not be as substantial as with Development Option A, provided that “big box” retail uses are limited to 250,000 to 275,000 square feet total, for up to two facilities and that there are no movie theaters included in the permitted project, consistent with the proposed Development Option D1-A. Secondary fiscal effects of Development Option D1-B are not considered significant. Physical impacts from competitive development close to the downtown cannot be proved. Therefore, the secondary market impacts, even if adverse, are not considered significant because they do not lead to physical changes to the environment that would reasonably be argued to be significant.

Significant Impacts

Development Option D1-B will not result in any significant secondary economic effects.

4.12.12 MITIGATION MEASURES - DEVELOPMENT OPTION D1-B

Mitigation measures are not warranted for implementation of Development Option D1-B.

4.12.13 CUMULATIVE IMPACTS - DEVELOPMENT OPTION D1-B

Similar to Development Option A, the above analysis for Development Option D1-B represents the cumulative condition in that it includes all existing and planned retail sales uses in the respective market areas, as shown in Figure 4.12.1.

4.12.14 LEVEL OF SIGNIFICANCE AFTER MITIGATION - DEVELOPMENT OPTION D1-B

No significant impacts related to secondary economic effects are expected.

4.12.15 IMPACTS - DEVELOPMENT OPTION D1-C

Less than Significant Impacts

Development Option D1-C includes 559,111 square feet of space in a regional retail center, 70,467 square feet of restaurant/fast food service, 570,000 square feet of space in an office center, and two hotels with a total of 350 guest rooms and 12 acres of auto sales with a projected floor area of 86,100 square feet. The option also includes a 155,804 square foot warehouse outlet (Costco) on the B-199 site. The regional retail center, the office center, and the hotel development all include restaurants/food service components.

Both the office and the retail portions of the project contain some restaurant/food service space. For the traffic analysis, it was estimated that the office portion would contain about 30,000 square feet of restaurant space and the retail portion would contain about 40,500 square feet of food service space.

Based on information provided by the applicant, major retail tenants on the B-1 site are expected to include the following:

Target	General Merchandise	137,000 sf
Loew's	Home Improvement Warehouse	135,197 sf
Best Buy	Electronics	45,000 sf
Linens N Things	Household softgoods	35,200 sf
Marshalls	Apparel	30,000 sf
Staples	Office Supply	23,884 sf
Michaels	Arts and crafts	23,680 sf
Petsmart	Pet food and supplies	19,200 sf

General Merchandise

Empire Center’s general merchandise, apparel, and other retail will have some impact on downtown general merchandise, especially the Big K-Mart. The strength of that impact will depend upon the general merchandise and specialty retail tenants at the Empire Center; two possible scenarios are projected.

In the absence of major new competition, general merchandise sales in the City Center area can be expected to grow by over 12 percent in constant dollars (from $73.5 million to $82.6 million) by 2010. Sales per square foot would increase by $18. Based on data provided by the City of Burbank, retail sales tax revenues in the Media City Mall increased by 2.7 percent from 1996 to 1998 in inflation adjusted dollars, i.e., constant dollars.

With the addition of 125,000 square feet of directly competitive space at the proposed project, general merchandise sales are projected to decline by slightly over four percent in constant dollars (from $73.5 million to $70.4 million) by 2010. Sales per square foot at the City Center General Merchandise stores will decrease by $7. Sales at the proposed project are projected at $23.8 million.

With the addition of 250,000 square feet of directly competitive space at the proposed project (Scenario 2), general merchandise sales are projected to decline by close to 15 percent in constant dollars (from $73.5 million to $62.7 million). Sales per square foot at the City Center general merchandise stores would decrease by $22.

The previous report pointed out that the effect would be the same for any combination of retail space at the proposed project that offered merchandise that directly competes with the major merchandise lines offered by the downtown General Merchandise stores.

These results are presented in Table 4.12.E that was taken from the July 6, 1998 report:

Table 4.12.E - Estimated General Merchandise Sales Under Various Competitive Assumptions Burbank Extended Market Area

	Sales	Square Feet	Sales/Sq. Ft.	Market Share
1994				
City Center	$73,507,000	505,000	$146	27.1%
Project Site	$0	0	$0	0.0%
2010 Base Case				
City Center	$82,642,000	505,000	$164	27.1%
Project Site	$0	0	$0	0.0%
2010 Scenario 1				
City Center	$70,403,000	505,000	$139	23.1%
Project Site	$23,785,000	125,000	$190	7.8%
2010 Scenario 2				
City Center	$62,666,000	505,000	$124	20.5%
Project Site	$40,206,000	250,000	$161	13.2%

Source: *Retail Market Impacts of the Proposed Burbank Empire Center Project*

The results presented above are for purchases made by residents of the primary trade area that extends roughly five miles from the subject site. Projections of the market area population growth that were incorporated into the projected retail sales are based upon SCAG's census tract population projections. The SCAG population projections for this area show an average annual growth rate of 0.75 percent through 2010. This translates into an average annual population increase of about 2,600 in the market area.

The retail sales estimates and projections above do not include purchases made by job-holders in the City, by visitors to the City, by other businesses or by consumers who travel from beyond the primary market area. These adjustments would increase the above sales per square foot estimates by about 10-15 percent. Typically, residents from within the primary market area would account for 80 to 90 percent of comparison goods sales at the proposed project and in downtown Burbank. Effects of the expanding market share of non-store retailing, including e-commerce, were not examined in this study.

Auto Sales

Since the City currently has only a small presence in auto sales, the addition of an auto center would not be expected to have any negative economic impacts on the City.

Warehouse Outlet

A Costco outlet at Empire Center would have relatively little impact on major downtown retailers since it is a relocation of an existing Burbank facility that is about 3.5 miles from the Empire Center site. The Costco should draw from a broader market area because of increased visibility and accessibility.

Home Improvements

Loew's will have a very small impact on downtown retailing. In combination with the planned new Home Depot, existing home improvement stores elsewhere in Burbank (e.g. OSH, Do It Center) will likely feel an impact.

Automobile Sales

Similar to Options D1-A and Option D1-B, Option D1-C included development of an auto sales center. Since the City currently has only a small presence in auto sales, the addition of an auto center would not be expected to have any significant negative economic impacts on the City.

Restaurant and Retail Demand from Project Employees

Restaurant and retail demand from project employees for Option D1-C is estimated to generate 3,307 new jobs with 570,000 square feet of proposed office space.

In addition to the retail demand generated by the market area households, office, studio, hotel, retail and other employment, Burbank Empire Center will generate additional demand for retail and restaurant space. Based on average annual retail and restaurant employee purchases, an additional demand of about 64,750 square feet will be generated under Option A, with relatively less under Option D1-C at about 46,926 square feet.

Restaurant and Retail Demand from the Hotel Visitors

Overnight guests at the project hotels would also generate restaurant and other retail demand. Table 4.12.F presents an estimate of the spending that would be generated by overnight guests at the project hotel and the floor area that would be supportable by these expenditures.

Table 4.12.F - Retail Demand Generated by Project Hotel Guests

	Per Room Night			
	LA Avg.	**Project**	**Supportable Floor Area at $200/sf**	**Supportable Floor Area (in Sq. Ft.)**
Lodging	$96.56	$135	N/A	
Transportation	$70.08	$70	N/A	
Meals	**$62.67**	**$63**	**0.32**	**28,974**
Shopping	**$60.82**	**$61**	**0.31**	**28,054**
Entertainment	$22.74	$23	N/A	
Convenience/Groceries	$6.61	$7	0.04	3,219
Total	$319.49	$359		

Source: Per Room Night spending estimates derived from data provided by the Los Angeles Convention and Visitors Bureau and by the California Division of Tourism. Hotel was assumed to have 350 rooms and a 72 percent occupancy rate.

The estimates above indicate that spending by hotel guests would provide support for an additional 29,000 square feet of restaurant space and 28,000 square feet of retail space.

Net Fiscal Impact

Development Option D1-C, similar to Development Option A, generates substantial net fiscal benefits in terms of sales taxes to the City; however, due to the proposed auto sales component, Option D1-C generates a larger amount in terms of sales tax generation at about $4.0 million.

Conclusion

As described above, Development Option D1-C would have an adverse market effect on the downtown area; however, the impact would not be as substantial as with Development Option A, provided that "big box" retail uses are limited to 250,000 to 275,000 square feet for up to two facilities and that there are no movie theaters included in the permitted project, consistent with the proposed Development Option D1-C. Secondary fiscal effects of Development Option D1-C are not considered significant. Secondary fiscal effects of Development Option D1-B are reduced and not considered significant. Physical impacts from competitive development close to the downtown cannot be proved. Therefore, the secondary market impacts, even if adverse, are not considered significant because they do not lead to physical changes to the environment that would reasonably be argued to be significant.

Significant Impacts

Development Option D1-C will not result in any significant secondary economic effects.

4.12.16 MITIGATION MEASURES - DEVELOPMENT OPTION D1-C

Mitigation measures are not warranted for implementation of Development Option D1-C.

4.12.17 CUMULATIVE IMPACTS - DEVELOPMENT OPTION D1-C

Similar to Development Option A, the above analysis for Development Option D1-C represents the cumulative condition in that it includes all existing and planned retail sales uses in the respective market areas, as shown in Figure 4.12.1.

4.12.18 LEVEL OF SIGNIFICANCE AFTER MITIGATION - DEVELOPMENT OPTION D1-C

No significant impacts related to secondary economic effects are expected.